

Message Text

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ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

EB-07 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04

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INFO USDEL MTN GENEVA

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E.O. 11652: N/A

TAGS: ETRD, GATT, EEC

SUBJECT: SECTORS GROUP-EC VIEWS

REF: MTN GENEVA 8103

1. ON OCTOBER 29 WE DISCUSSED THE EC VIEWS ON THE NEXT SECTORS GROUP MEETING WITH PHAN VAN PHI OF THE EC COMMISSION (WHO WAS AWARE OF THE EARLIER CONVERSATION BETWEEN USDEL MTN AND ABBOTT). PHAN VAN PHI SAID THAT BOTH THE EC AND THE US HAD SAID THAT THE SECTORS APPROACH IS A COMPLEMENTARY TECHNIQUE TO BE LOOKED AT ONCE A TARIFF-CUTTING HYPOTHESIS AND ONE OR TWO NTB SOLUTIONS HAD BEEN FOUND. HE THEREFORE DIDN'T UNDERSTAND THE "RUSH" IN THE SECTORS GROUP.

2. PHAN VAN PHI WENT ON TO SAY THAT AT THE SAME TIME THE EC DID NOT WANT TO ADOPT TOO NEGATIVE A STANCE. IT OTHERS PUSHED FOR SECTOR SUTDIES, THE EC WOULD NOT OPPOSE ONE OR TWO STUDIES BEING CONDUCTED BY THE SECRETARIAT, BUT ONLY IF IT WERE CLEARLY UNDERSTOOD THAT SUCH STUDIES SHOULD NOT LEAD INTO NEGOTIATIONS ON THE SUBJECT.

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3. AS FOR THE US PROPOSALS REGARDING THE SECTORS TO BE STUDIED,

HE WOULD MAKE THE SAME RESPONSE THE EC HAD MADE TO THE CANADIANS-THE SECTORS PROPOSED WERE INTERESTING TO THE US, BUT NOT NECESSARILY OF EQUAL INTEREST TO OTHERS, INCLUDING THE EC. HOWEVER, THE EC WOULD NOT INSIST ON A FORMAL BALANCE IN THE CHOICE OF SECTORS TO BE STUDIED-IF ONLY BECAUSE THIS WOULD IMPLY A POSITIVE INTEREST IN THE SECTORAL APPROACH WHICH THE EC DOES NOT HAVE.

4. PHAN VAN PHI DID NOT KNOW OF ANY INTRA-EC MEETINGS TAKING PLACE ON THIS SUBJECT IN BRUSSELS THIS WEEK. HOWEVER, THERE WILL BE AN INTRA-COMMISSION MEETING NEXT WEEK TO DISCUSS SECTORS, SAFEGUARDS, AND POSSIBLY OTHER SUBJECTS.

5. WHILE, AS USDEL MTN NOTES IN REFTTEL, THERE IS SOME LESSENING OF THE RIGIDITY OF THE EC'S NEGATIVE ATTITUDE TO THE SECTOR APPROACH, THAT ATTITUDE HAS NOT BASICALLY CHANGED. HIJZEN CONTINUES TO SAY HE VIEWS SECTORS AS A TRAP. SECTORAL NEGOTIATIONS WOULD, HE FEELS, RESULT IN MINIMAL OVERALL LIBERALIZATION. EACH "SENSITIVE" INDUSTRY WOULD MOBILIZE TO DEFEND ITS INTERESTS. AND WHILE SOME INDUSTRIES IN SOME COUNTRIES ARE COMPETITIVE AND OUTWARD LOOKING, IT IS PROBABLE THAT THEIR COUNTERPART INDUSTRIES IN OTHER COUNTRIES WOULD BE UNCOMPETITIVE AND RESIST LIBERALIZATION. THE PROBABLE RESULT WOULD BE AGREEMENT ON A LOWEST COMMON DENOMINATOR OF LIBERALIZATION. HIJZEN FEELS THAT IT IS IMPORTANT, IN ORDER TO AVOID THIS RESULT, TO PLUG FOR OVERALL SOLUTIONS, LEAVING SECTORS, AND EVEN EXCEPTIONS LISTS, AS NECESSARY BUT UNFORTUNATE RESIDUALS TO BE CONSIDERED LATE IN THE NEGOTIATIONS.

6. COMMENT: THE ARGUMENTS AGAINST PUSHING THE SECTOR APPROACH EARLY IN THE NEGOTIATIONS SEEM AS VALID IN THE TOKYO ROUND AS IN PREVIOUS NEGOTIATIONS. SECTOR NEGOTIATIONS WILL UNDOUBTEDLY BE NECESSARY AND DESIRABLE AT A LATER STAGE AS A TECHNIQUE FOR LIMITING THE EXCEPTIONS LISTS OR FOR ACHIEVING A GREATER DEGREE OF TRADE LIBERALIZATION. FOR THE REASONS PUT FORTH BY HIJZEN, EARLY RESORT TO SECTORAL NEGOTIATIONS (OR STUDIES AS A PRELIMINARY TO NEGOTIATIONS) IS LIKELY TO LEAD TO A MINIMALIST OUTCOME OF THE OVER-ALL NEGOTIATIONS. IN IMMEDIATE TACTICAL TERMS, US PRESSURE NOW FOR DISCUSSIONS BY SECTORS APPEARS INCONSISTENT WITH OUT OPPOSITION TO DEALING WITH AGRICULTURE AS A SEPARATE SECTOR. FINALLY, EVEN IF THE EC WERE TO YIELD TO THE BLANDISHMENTS OF ITS TRADING PARTNERS AND AGREE TO SECTORAL NEGOTIATIONS, IT IS FAR FROM CERTAIN THAT THE RESULTS--IN TERMS OF CHOICE OF SECTORS AND OF SOLUTIONS--WOULD BE TO THE SATISFACTION OF THOSE WHO INITIALLY CALLED FOR THIS APPROACH. THEREFORE, MISSION STRONGLY RECOMMENDS THAT US NOT PRESS FOR SECTOR APPROACH AT THIS TIME.

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CULTURE AS A SEPARATE SECTOR. FINALLY, EVEN IF THE EC WERE TO YIELD TO THE BLANDISHMENTS OF ITS TRADING PARTNERS AND AGREE TO SECTORAL NEGOTIATIONS, IT IS FAR FROM CERTAIN THAT THE RESULTS--IN TERMS OF CHOICE OF SECTORS AND OF SOLUTIONS--WOULD BE TO THE SATISFACTION OF THOSE WHO INITIALLY CALLED FOR THIS APPROACH. THEREFORE, MISSION STRONGLY RECOMMENDS THAT US NOT PRESS FOR SECTOR APPROACH AT THIS TIME.

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